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### STATE OF THE UNION WITH CANDY CROWLEY

Interview with Robert Menendez, Peter King; Panel Discusses Future of the GOP; Interview with Governor Jerry Brown

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CANDY CROWLEY, CNN ANCHOR: Washington looks at old arguments through a post-election prism, and the sudden end of a distinguished career.

(BEGIN VIDEOTAPE)

CROWLEY (voice-over): Today, can they hear each other now?

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: We can't just cut our way to prosperity.

REP. JOHN BOEHNER (R-OH), HOUSE SPEAKER: Feeding the growth of government through higher tax rates won't help us solve the problem.

CROWLEY: Avoiding the fiscal cliff, the downfall of the CIA chief, and the remains Superstorm Sandy with New Jersey Senator Bob Menendez and New York Congressman Peter King.

Then dissecting Tuesday's results with California Governor Jerry Brown.

Plus, CNN's Dana Bash looks at the Grand Old Party and the new electorate with a foursome of Republicans: former presidential candidate Jon Huntsman, Congresswoman Cathy McMorris-Rodgers, former Commerce Secretary Carlos Gutierrez, and conservative activist Gary Bauer.

I'm Candy Crowley, and this is STATE OF THE UNION.

(END VIDEOTAPE)

CROWLEY: Good morning, from California, the state that led the tax cut revolution in the late '70s, but this past Tuesday voted to raise taxes. We'll talk to Governor Jerry Brown later in the show, but, first, that fiscal cliff, those tax hikes and spending cuts scheduled take place at the end of the year unless Congress acts.

President Obama and House Speaker John Boehner picked up where they left off in dueling public appearances where both sounded conciliatory, but didn't seem to budge much.

We must add to the president's to do list one more thing. He needs a CIA director after General David Petraeus resigned, admitting to an extramarital affair. Joining me now is New Jersey Democratic Senator Robert Menendez, and later, New York Republican Congressman Peter King, who is chairman of the House Homeland Security Committee.

Good morning, Senator. It's good to see you. Let me start out with the Petraeus matter. Do you believe that this is -- leaves a big hole in military or intelligence operations, or can they carry on smoothly?

MENENDEZ: Well, Mike Morrell, who is the second in charge, I think, is an excellent individual, has the president's confidence, and can carry on in the interim. Obviously General Petraeus was a tremendous asset at the CIA. It's unfortunate. I respect his decision under the circumstances. And I'm sure that the president will now seek out a new CIA director. But in the interim I believe the agency can continue to function under Mr. Morrell.

CROWLEY: Congressman King, do you have any concerns about either the way this was handled or about any holes that this might leave?

KING: First of all, Candy, I have questions about the whole matter. First of all, I'm wondering -- excuse me, how a -- something about emails went to the level of the FBI, how the FBI could have been investigating it this long, and yet, you know, General Petraeus was involved -- or Director Petraeus was involved.



solution. RODGERS: Well, I think we saw in the House the Republicans kept the majority. We had been bold. We have been putting forward our solutions, whether it was on the economy, the fiscal cliff, how to get Americans back to work. We have been putting that forward, and we got re-elected.

BAUER: America is not demanding a second liberal party. They've already got a liberal party, if that's what you believe. The Republican Party should be bold and confident in its conservative values from economics to foreign policy to values.

HUNTSMAN: Get our economic house in order and stay out of people's lives beyond.

GUTIERREZ: We need to stand for growth, for prosperity, for jobs, for entrepreneurship, for innovation, for dreaming for a better life, and, therefore, we need to lead to welcome immigrants.

Just one more thing, English is the national language of the United States, but the official language of government is a silly, ridiculous thing in the 21st Century.

BASH: OK, this is going to be a conversation for another time. This is fascinating, thank you.

BASH: And, Candy, certainly missed you here. That's for sure.

CROWLEY: You all make me sorry -- you make me sorry I'm not there. What a great conversation. Carlos Gutierrez, Jon Huntsman, Gary Bauer, Congresswoman McMorris-Rodgers, thank you so much. My thanks to my colleague Dana Bash.

California's governor, Jerry Brown, he knows a thing or two about political resurrection. We talked taxes, mandates, and marijuana, next.

(COMMERCIAL BREAK)

CROWLEY: California's Democratic voters mirror the coalition that powered President Obama to a second term last Tuesday. I spoke with Governor Jerry Brown about the election results, his push for tax hikes, and the Democratic Party's hold on state politics.

(BEGIN VIDEOTAPE)

CROWLEY: Governor, first, thank you so much for joining us this Sunday after Election Day. So let me start at the national level. Everybody has had their shot at interpreting what went on. What do you think the presidential election told us?

GOV. JERRY BROWN (D), CALIFORNIA: It told us that the majority of Americans identified with Barack Obama, because he was closer to their aspirations. For better or worse, Romney did symbolize the well-born, the privileged.

I could have sold him as a latter day Tom Dewey, who looked like he had a lot going for him, but at the end of the day Harry Truman had the common man, had the common touch, and I think Barack Obama was closer to the center of American political thinking than the Republicans.

CROWLEY: And that goes along with some of the polling that we've seen where Mitt Romney and President Obama were about even and sometimes Mitt Romney led when you asked who has got the best plan for the economy? But when you said, who best understands people like you? President Obama was always sort of -- you know, outran, outpaced Mitt Romney for that.

So the question is, when you look four years from now, when you don't have a President Obama on the ticket, is this a certain coalition for Democrats? BROWN: I think so. If you look at the majorities of Hispanic voters, African-American voters, Asian voters, younger voters, the future is with a politics that has government more responsive to the average person and not buying this doctrinaire politics of the market uber alles, the market over all.

It's a doctrinaire ideology that may play well in the pages of The Wall Street Journal or in boardrooms or in corporate retreats, but in mainstream America it's increasingly out of touch.

CROWLEY: So let me move you on to what happened here in California. You got voters to agree to tax hikes for the wealthy, temporary tax hikes for the wealthy. You've got them to agree to a quarter cent increase in sales taxes. California was the start of the tax cut sweep. Do you think California is the start of a tax increase sweep?

BROWN: Yes, I do. I was here in 1978 when Howard Jarvis beat the entire establishment, Republican and Democrat, because the property taxes had just gotten out of control. Now the cutting -- the cutting and the deficits are out of control. Our financial health, our credibility as a governing -- as a nation that can govern itself is on the chopping block.

And, yes, cuts going forward of certain commitments the country has made, that has to be embraced. But so also is revenue. And revenue means taxes. And certainly those who have been blessed the most, who have disproportionately extracted, by whatever skill, more and more from the national wealth, they're going to have to share more of that.

And everyone is going to have to realize that building roads is important. Investing in schools is important. Paying for the national defense is important. Biomedical research is important. The space program is an indicator of the world leader. All that takes money.

It's not all going to come out of Wall Street or out of your local department store. It requires the people, through their collective institution called government, to make a greater commitment, and I think they're ready to do it.

CROWLEY: And, yet, we do have states, as you know, with governors like Kasich and Walker, McDonnell, who have actually done sort of the opposite and have had fairly healthy economies.

BROWN: Well, first of all, taxes going up a little bit or taxes going down in the short-term doesn't affect the economy. California has almost a \$2 trillion economy, so a tax increase of \$6 billion or \$7 billion is not even felt by the total economy.

Nevertheless, the growing gap, which is then resulting in more -- necessitating more and more borrowing can't be sustained. We have to either cut back more or create a balance of revenue and spending reductions. And I think -- I can tell you in California, you can only cut schools and university so much and then people say, enough already, and that's exactly what they said on election night Tuesday.

CROWLEY: And you see that having a national implication?

BROWN: Yes, because I think schools and universities are not partisan issues, what kind of a hospital situation you have in local cities and counties. Everything worked -- when government gets excessive, yes, people want to pull it back. That was the tax revolt.

But when the private sector begins to, you know, have more and more and the public sector is starved, people know that. It's common sense. You need a balance. So it's not, is the left right or is the right right? It's, to each according to its due. I mean, even if I can quote a biblical text, you know, render unto God what is God's, and what is Caesar is Caesar's.

Well, the state needs something, and the people need a great deal of their own money, too. But you've got to have the balance. And without a balance, you run the difficulties as the whole country breaks down for lack of common commitment. And after all, that's what our public institutions represent.

CROWLEY: And do you see yourself supporting any further tax increases? Business property tax increases has come up, because as you know -- because of previous initiatives on the ballot. They have not risen. Do you see the need for further tax increases?

BROWN: No, I don't see that need because I've looked at the budget gap, and this tax, which will be temporary over the next seven years, if we exercise restraint, we meaning the legislature and myself - we can - and we get a decent recovery - then we will not only have a balanced budget, we can make - meet our major responsibilities.

But - and the desires are endless, and legislative proposals know no limits. So this stack of possible spending bills is countless. And we'll have to just -- as the Buddhists say desires are endless, I vow to cut them down. Well, legislative ideas are endless and we'll have to cut at least some of them down.

CROWLEY: Let me ask you about a specific issue and that is the legalization of marijuana, which as you know was passed in Colorado as well as Washington State. Do you think it is time for the federal government, the Justice Department, to declassify marijuana as a category 1? BROWN: Well, I would say this, it's time for the Justice Department to recognize the sovereignty of the states. In California has a medicinal marijuana law, other states have passed some other measures.

CROWLEY: Well, recreational as in Colorado and in Washington State.

BROWN: We have a laboratory of democracy. We don't always agree with all states. Some states have capital punishment, some states don't. Some now have legalized marijuana, small amounts for recreational use, many states have legalized medicinal marijuana. I believe the president and the Department of Justice ought to respect the will of these separate states.

CROWLEY: In other words, no prosecution, no federal prosecution since it is a federal drug law of those who have legalized small amounts of marijuana.

BROWN: Yeah, I think the federal law can maintain, but it shouldn't try to nullify reasonable state measures. I'm not saying the state can do anything they want, but the measures that have been adopted so far have been after vigorous debate. In fact, there's been a marijuana legalization in California and it was rejected. It's been rejected in other states.

So we are capable of self-government. We don't need some federal gendarme to come in and tell us what to.

I believe comot (ph) toward the states, that's a decent respect, ought to govern the policy and that means change the policy now.

CROWLEY: Careful, because you might sound like a Republican here with the states rights thing.

BROWN: Well, there's a logic to states rights. And I know because of the whole manner of slavery and segregation, we moved toward a more centralized state but there's something called subsidiary. And that is move government responsibility to the institution closest to the people. And I think that's a very important principle, but consistent with fundamental human rights.

CROWLEY: And if you see feds back off on marijuana - on enforcement of laws as it apply to marijuana in Colorado and Washington State, is that something you'd bring up again in California? I mean, it's a great source of revenue if you could tax it and...

BROWN: I'm not prepared to bring that up. We already have a fair amount of marijuana use in the guise of medical marijuana and there's abuses in that field. And as governor, I review paroles for those sentenced for murder and I have to review the paroles and I review hundreds of them. And so many of them start with drugs, with marijuana, with alcohol, when they're 12, they're 15.

So it's dangerous. And people should not in any way take lightly the power of chemicals, whether it be cannabis or something stronger to affect the human mind in a way that really makes desperate people far more desperate.

(END VIDEOTAPE)

CROWLEY: The 2016 race already. That's next.

(COMMERCIAL BREAK) CROWLEY: And finally save for a few races still hanging in the balance, the 2012 election is over. It's time to sit back and ask ourselves who's going to run for president in 2016.

(BEGIN VIDEOTAPE) UNIDENTIFIED MALE: The award for the first possible 2016 contender to go to Iowa, that goes to Marco Rubio, the popular Republican senator from Florida. 11 days after this election, he'll be Iowa to headline an event for the state's Republican governor.

SEN. MARCO RUBIO, (R) FLORIDA: It's our honor and privilege to be here.

UNIDENTIFIED FEMALE: The big question is when is his mentor, the elder in Florida, Jeb Bush, going to make it there.

JEB BUSH, (R) FRM. GOVERNOR OF FLORIDA: This is the greatest country on the face of the earth.

UNIDENTIFIED MALE: Please, please. I haven't even had time to get drunk from 2012, much less have a hangover and get over it.

UNIDENTIFIED MALE: The first Republican candidate to go to Iowa to campaign for 2016 will be Sarah Palin. It gets awfully cold in the